

Hotels, Motels, and Other Lodging Providers

**How Do Wisconsin Sales and Use Taxes
Affect Your Operations?**

Table of Contents

Page

| | |
|--|-----------|
| I. INTRODUCTION | 1 |
| II. HOTEL'S SALES AND RENTALS TO CUSTOMERS | 1 |
| A. Lodging Services | 1 |
| B. Meals, Food, and Beverages | 4 |
| C. Telephone Calls, FAX Transmissions, and Cable TV Charges..... | 5 |
| D. Vending Machines, Video Games, and Amusement Devices | 5 |
| 1. Vending Machines | 5 |
| a. Exempt Vending Machine Sales | 5 |
| b. Taxable Vending Machine Sales | 6 |
| 2. Video Games and Amusement Devices..... | 6 |
| 3. Commissions..... | 6 |
| E. Gift Shop Sales | 6 |
| F. Rentals of Tangible Personal Property..... | 7 |
| G. Parking | 7 |
| H. Laundry and Dry Cleaning Services and Machines..... | 7 |
| I. Photocopying Services and Machines | 7 |
| J. Admissions to Amusement, Athletic, Entertainment, and Recreational Facilities | 7 |
| K. Used Equipment and Furnishings | 8 |
| L. Tanning Beds and Spas | 8 |
| III. HOTEL'S PURCHASES..... | 8 |
| A. Taxable Purchases | 8 |
| 1. Tangible Personal Property..... | 8 |
| a. Furniture, Appliances, etc. | 8 |
| b. Office Equipment and Supplies | 8 |
| c. Room Supplies | 9 |
| d. Linen Supplies | 9 |
| e. Cleaning and Maintenance Equipment and Supplies..... | 9 |
| f. Restaurant and Bar Equipment and Supplies | 9 |
| 2. Services | 10 |
| B. Nontaxable Purchases | 10 |
| 1. Tangible Personal Property to Be Resold | 10 |
| 2. Certain Restaurant and Bar Disposable Items | 10 |
| 3. Food, Food Products, and Beverages Given Away | 10 |
| 4. Food, Food Products, and Beverages Given Away to Employees | 11 |
| 5. Tangible Personal Property Which Will Be Rented to Others | 11 |
| IV. ANY QUESTIONS?..... | 12 |
| V. ANY SUGGESTIONS? | 12 |

IMPORTANT CHANGES

Exemption for United States Flags and Wisconsin State Flags. Effective October 1, 2001, an exemption applies to the U.S. flag and the Wisconsin state flag. "Flags" are removed from the list of a hotel's taxable purchases (page 8).

Vending Machine Sales. The sale of certain food and beverages from vending machines became exempt effective July 1, 2001 (page 5).

Security Deposits and Cancellation Fees. Clarification of the tax treatment of security deposits and cancellation fees was added (page 4).

Closed Offices. Due to budget constraints, several Department of Revenue offices have been closed. See page 12 for a list of offices providing customer service.

I. INTRODUCTION

This publication explains how Wisconsin sales and use taxes affect hotels, motels, and other lodging providers. It includes examples of taxable and nontaxable sales and rentals and information about purchases by hotels, motels, and other lodging providers.

"Hotel," as used in this publication, includes hotels, motels, bed and breakfasts, resorts, lodges, inns, and others providing lodging accommodations to the public.

CAUTION

- The information in this publication reflects interpretations by the Wisconsin Department of Revenue of laws enacted by the Wisconsin Legislature as of February 1, 2003. Laws enacted after that date, new administrative rules, and court decisions may change the interpretations in this publication.
- The examples and lists of taxable and nontaxable sales and purchases are not all-inclusive. They merely set forth common examples.

Note: Certain sales and purchases by hotels which are subject to the 5% state sales and use tax may also be subject to the: (a) 0.5% county sales and use tax, (b) 0.1% baseball stadium sales and use tax, (c) 0.5% football stadium tax, (d) local exposition taxes, and (e) 0.5% premier resort area sales tax. Additional information about these taxes is contained in the following:

- (a) County tax: Publication 201, *Wisconsin Sales and Use Tax Information*, Part XVIII.
- (b) Baseball stadium tax: Publication 201, *Wisconsin Sales and Use Tax Information*, Part XVIII. Applies to sales and purchases made in Milwaukee, Ozaukee, Racine, Washington, and Waukesha counties.
- (c) Football stadium tax: Publication 201, *Wisconsin Sales and Use Tax Information*, Part XVIII. Applies to sales and purchases made in Brown County (effective November 1, 2000).
- (d) Local exposition taxes: Publication 410, *Local Exposition Taxes*. Applies to sales and purchases of certain lodging, food, beverages, and car rentals in municipalities wholly or partially within Milwaukee county.
- (e) Premier resort area tax: Publication 403, *Premier Resort Area Tax*. Applies to sales by certain types of retailers of tangible personal property and taxable services in the Village of Lake Delton and City of Wisconsin Dells. Effective January 1, 2003, the City of Bayfield adopted an ordinance imposing the premier resort area tax in the City of Bayfield.

Publications 201, 403, and 410 are available from any Department of Revenue office or online at www.dor.state.wi.us.

II. HOTEL'S SALES AND RENTALS TO CUSTOMERS

A. Lodging Services

- **Less Than One Month** — Furnishing lodging to the same person or entity (for example, corporation, partnership, sole proprietorship) at a hotel for a continuous period of **less than one month** is subject to Wisconsin sales tax.

“**One month**,” as used in this publication, means the lesser of: (1) a calendar month, or (2) a continuous period of 30 days. For purposes of counting the number of days stayed at a hotel, the day the customer checks into the hotel is counted as a day. However, the day the customer checks out of the hotel is **not** counted as a day.

Example — Lodging for Less Than One Month: Customer B checks into Hotel A on August 1 and checks out of Hotel A on August 30. Hotel A has provided lodging to Customer B for 29 days. The charge to Customer B is subject to Wisconsin sales tax because he did not stay for an entire calendar month or for a continuous period of 30 days or more.

- **One Month or More** — Furnishing lodging to the same person or entity (for example, corporation, partnership, sole proprietorship) at a hotel for a continuous period of **one month or more** is **not** subject to Wisconsin sales tax.

Example — Lodging for One Month or More: Customer D checks into Hotel C on July 20 and checks out of Hotel C on August 19. Hotel C has provided lodging to Customer D for 30 days. The charge to Customer D is **not** subject to Wisconsin sales tax because Customer D purchased lodging services for a continuous period of 30 days or more.

- **Lodging Packages** — The entire charge for furnishing lodging packages, which include lodging along with other taxable or nontaxable property or services, is subject to Wisconsin sales tax.

Example — Lodging Packages: Hotel E offers a lodging package for \$170. The package includes two nights of lodging, two breakfast buffets, dinner, and the use of the health spa. The entire \$170 is subject to Wisconsin sales tax.

- **Lodging for Federal and Wisconsin Governmental Agencies and Certain Nonprofit Organizations** — Lodging furnished to the

agencies and organizations listed below is not subject to Wisconsin sales tax:

- 1) **Wisconsin** governmental agencies (including counties, cities, villages, towns, and public school districts),
- 2) federal governmental agencies, and
- 3) nonprofit organizations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals.

For lodging furnished to these governmental agencies and nonprofit organizations to be exempt from Wisconsin sales tax, the following conditions must be met:

- 1) The hotel issues the invoice or billing document in the name of the governmental agency or nonprofit organization, and
- 2) The hotel receives one of the following:
 - a) For Wisconsin or federal governmental units:
 1. A purchase order or similar written document identifying the governmental unit as the purchaser,
 2. A properly completed exemption certificate (Form S-211), or
 3. The federal or Wisconsin governmental unit’s CES number which the hotel records on its copy of the invoice.
 - b) For **Wisconsin** nonprofit organizations, the Certificate of Exempt Status (CES) number which the hotel must enter on the hotel’s copy of the invoice or billing document, or a properly completed exemption certificate (Form S-211) which provides the nonprofit organization’s CES number.
 - c) For nonprofit organizations not located in Wisconsin, which are organized and

operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, a properly completed exemption certificate (Form S-211), even though they have not been issued a Wisconsin CES number.

The hotel must keep a copy of each of the documents (for example, invoice or billing document, purchase order, CES number, exemption certificate, etc.) referred to in numbers 1) and 2) above, to show that the sale was exempt.

Example — Exempt Sale to Wisconsin Governmental Employee: A City of La Crosse employee purchases two nights of lodging while traveling on city business. The employee provides to the hotel a letter from the City of La Crosse, indicating that the employee is on city business and is authorized to purchase lodging relating to such business. On its billing, the hotel indicates that the City of La Crosse is the customer (the name of the city employee may also appear on the billing). The employee pays the bill with his or her own funds and is subsequently reimbursed by the City of La Crosse. The sale of the lodging is **not** subject to Wisconsin sales tax because it is considered a sale to a Wisconsin governmental agency. The hotel should keep the letter from the City of La Crosse in its files.

Note: In the above example, if the hotel had issued the billing solely in the employee's name (rather than the city's), the sale would be subject to Wisconsin sales tax since it would be considered a sale to the individual, rather than a sale to the City of La Crosse.

- **Governmental Agencies From Other States** — Furnishing lodging to governmental agencies (including counties, cities, villages, and towns) **of states other than Wisconsin** is subject to Wisconsin sales tax.

Example — Taxable Sale to Governmental Agency Located Outside Wisconsin: A City of Chicago employee purchases four nights lodging from Hotel F while traveling on city business in Wisconsin. The sale of the lodging is subject to Wisconsin sales tax because the City of Chicago is not a Wisconsin governmental agency.

- **Foreign Diplomats** — Furnishing lodging to a foreign diplomat who has an exemption card issued by the federal Department of State is **not** subject to Wisconsin sales tax. The card has a photograph of the individual, personal data, an expiration date, the mission name, and a tax exemption number on it. The tax exemption number must be recorded on the hotel's invoice to exempt this type of sale from Wisconsin sales tax.
- **Rooms Generally Used as Sleeping Accommodations** — Rentals of rooms generally used as sleeping accommodations are subject to Wisconsin sales tax, regardless of how the room is used.

Example — Sleeping Room Used by a Salesperson for Display Room: A salesperson pays to use a room, which is normally used for sleeping accommodations, as a display room from 8:00 a.m. to 4:00 p.m. Since this room is generally used for sleeping accommodations, the charge for the use of the room is subject to Wisconsin sales tax.

- **Meeting and Conference Rooms** — Rentals of meeting and conference rooms used for meetings, conventions, conferences, and seminars are **not** subject to Wisconsin sales tax.
- **Forfeited Room Deposits** — Amounts customers deposit to hold a room and which are forfeited to the hotel because the customer fails to arrive and use the room ("no shows") are **not** subject to Wisconsin sales tax, if the room is available to be furnished to another guest.

If the hotel keeps the room available for the guest who is charged the deposit, the deposit is taxable.

- **Security Deposits** — Amounts charged to customers as security deposits solely for damages to the room are not subject to Wisconsin sales tax, if such amounts are returned to the customer if there is no damage to the room.
- **Cancellation Fees** — Amounts charged to customers who cancel a room reservation are not subject to Wisconsin sales tax if the room is available to be furnished to another guest. If the hotel keeps the room available for the customer who is charged the cancellation fee, the cancellation fee is taxable.

B. Meals, Food, and Beverages

- **Consumed On Hotel's Premises** — Sales of meals, sandwiches, food, and beverages to be consumed on the hotel's premises are subject to Wisconsin sales tax. The hotel premises includes the common areas of the hotel, such as lounges, meeting rooms, restaurants, bars, snack bars, or coffee shops.
- **Consumed Off Hotel's Premises** — Sales of meals, sandwiches, heated foods and beverages, soda fountain items, candy, gum, lozenges, and popcorn are examples of items sold by hotels for consumption off the hotel's premises which are subject to Wisconsin sales tax.
- **Room Service Charges, Delivery Charges, and Gratuities** — Room service charges, delivery charges, and gratuities added by the seller on taxable meals, food, and beverages are subject to Wisconsin sales tax. However, gratuities given at the customer's discretion are not subject to Wisconsin sales tax.
- **Meals Sold To Employees** — Sales of meals to employees are taxable in the same manner as explained in the three previous paragraphs, with the exception noted below.

A hotel is considered to have "sold" a meal to an employee in any of the following four situations:

- 1) Employee pays cash for the meal.

- 2) A charge for the meal is deducted from the employee's wages.
- 3) An employee receives meals in lieu of cash to bring the employee's compensation up to the legal minimum wage.
- 4) An employee has the option to receive cash for meals not consumed.

Exception: If a hotel operates a restaurant in the hotel and the restaurant sells the following items to its employees during the employees' work hours, such sales are exempt from tax (effective December 1, 1999):

- Soda water beverages, bases, concentrates, and powders intended to be reconstituted by consumers to produce soft drinks, and fruit drinks, ades, cocktails, punches, and nectars which have additives known as extenders.
- Meals and sandwiches, whether heated or not.
- Heated food and heated beverages.
- Soda fountain items such as sundaes, milk shakes, malts, ice cream cones, and sodas.
- Candy, chewing gum, lozenges, popcorn, and confections.
- Disposable products that are transferred with the above items, such as paper cups, napkins, straws, etc.

Note: Sales of the items listed above to employees are taxable if the sales are not made during the employee's work hours.

Example 1: Hotel Restaurant A sells a meal to Restaurant Employee B during Restaurant Employee B's work hours. Hotel Restaurant A's sale of the meal to Restaurant Employee B is not subject to tax.

Example 2: Hotel Restaurant D sells Restaurant Employee E a meal after Restaurant Employee E's work hours. Hotel Restaurant D's sale of the meal to Restaurant Employee E is subject to tax. A meal sold before or after the employee's work hours is not exempt.

Example 3: Hotel Restaurant F sells Restaurant Employee G an individual bag of potato chips during Restaurant Employee G's work hours for consumption on Hotel Restaurant F's premises. The chips are not sold as part of a meal. Hotel Restaurant F's sale of the chips to Restaurant Employee G is subject to tax, because (a) the sale of the chips is for on-premises consumption, and (b) a bag of chips, when not sold as part of a meal, is not listed as an exempt sale (see exception above).

- **Cover Charges** — Cover or minimum charges which entitle customers to receive entertainment or to dance are subject to Wisconsin sales tax.

Example — Cover Charges: A hotel provides entertainment in its bar on Saturday nights. Everyone entering the bar after 8:00 p.m. is charged a \$2 cover charge. The \$2 charge is subject to Wisconsin sales tax.

Note: Sales of meals, food, beverages, and cover charges to Wisconsin and federal governmental agencies, certain nonprofit organizations, and qualifying foreign diplomats are not taxable. See the section titled *Lodging for Federal and Wisconsin Governmental Agencies and Certain Nonprofit Organizations*, on page 2 of this publication, concerning sales to these types of customers.

C. Telephone Calls, FAX Transmissions, and Cable TV Charges

- Charges by a hotel for telephone services, FAX transmissions, and cable TV services are not subject to Wisconsin sales tax.
- Charges by a hotel for "pay-per-view" channels which the hotel purchases from the pay-per-view provider and then provides to the customer are not subject to Wisconsin sales tax. (**Note:** If the hotel is acting as the billing and collection agent of the pay-per-view service provider, the hotel is required to collect the applicable tax from the customer on behalf of the pay-per-view provider.)

D. Vending Machines, Video Games, and Amusement Devices

1. **Vending Machines** — Sales of certain tangible personal property and taxable services through vending machines are subject to Wisconsin sales tax. If the hotel "controls" or is the "operator" of the machine, the hotel's receipts from the vending machine sales of items listed in Part b., below, are subject to Wisconsin sales tax.

A hotel is considered to have "control" over the vending machine or be the "operator" if: (1) the hotel has the right to access the machine for stocking, restocking, or removing the receipts from the machine, or (2) the hotel owns the tangible personal property sold through the vending machine.

a. Exempt Vending Machine Sales

Effective July 1, 2001, sales of food, food products, and beverages from vending machines are considered to be sold for consumption off the seller's premises. Therefore, sales from vending machines of food, food products, and beverages for human consumption are exempt from sales or use tax, except for sales of the items listed in Part b., below.

Examples of exempt sales from vending machines include:

cookies
doughnuts
fruit
granola bars, except candy or yogurt covered
ice tea, flavored or bottled
juices, pure fruit
milk
peanuts, except candy or yogurt coated or honey roasted
potato chips and corn chips
pretzels
raisins
water, unflavored, unsweetened, and not carbonated
yogurt, except bars, cones, and sundaes

See Publication 220, *Grocers – How Do Wisconsin Sales and Use Taxes Affect Your Operations?*, pages 4 and 5, for more examples.

Example - Hotel A sells fruit, milk, and potato chips through vending machines located in the hotel lobby. Such sales are exempt from Wisconsin sales tax.

Note: Prior to July 1, 2001, all sales from vending machines were presumed to be for on-premises consumption and taxable, unless records show which portion of the sales were made for off-premises consumption and involve food which is otherwise exempt from tax.

b. Taxable Vending Machine Sales

Sales of the following items from vending machines are taxable (list is not all-inclusive):

baby care supplies, such as disposable diapers and wipes
cameras, film, and other photography supplies
candy, chewing gum, cigarettes, popcorn, lozenges, and confections
cigars, cigarettes, tobacco, and lighters
electrical supplies, such as flashlights, bulbs, batteries, and fuses
fermented malt beverages and intoxicating liquors
heated foods and heated beverages
hygiene products, such as soap, shampoo, combs, deodorant, shaving cream, and razors
meals and sandwiches, whether heated or not
medicines, tonics, vitamins, and medicinal preparations in any form
photocopies
reading materials such as books, magazines, and periodicals (newspapers are not subject to tax)
soda fountain items such as sundaes, milk shakes, malts, ice cream cones, and sodas
soft drinks
taxable services (e.g., shoe shining)
toiletries, such as toilet paper, facial tissue, bubble bath, toothbrushes, and feminine hygiene products

wearing apparel, such as gloves, hosiery, and shoelaces

2. Video Games and Amusement Devices —

Receipts from video games and amusement devices are subject to Wisconsin sales tax.

If the hotel “controls” or is the “operator” of the video game or amusement device, the hotel’s receipts from the video games and amusement devices are subject to Wisconsin sales tax. See Section 1, on page 5, titled *Vending Machines*, for an explanation of “control” and “operator.”

3. Commissions —

If the hotel receives commissions from a third party who “controls” or is the “operator” of the vending machines, video games, and amusement devices, the hotel’s receipts from such commissions are **not** subject to Wisconsin sales tax. The third party is responsible for reporting the Wisconsin sales tax on the gross receipts (for example, money) from the machine, without any deduction for the commission which is paid.

Example — Commissions: Hotel B receives a commission equal to 50% of the gross receipts from a video game in return for allowing Company A to place the video game in Hotel B. Hotel B is not the operator of and does not control the video game. The gross receipts from the video game are \$200. Hotel B receives a commission of \$100. The \$100 commission received by Hotel B is not subject to Wisconsin sales tax. Company A’s gross receipts from the video game of \$200 are subject to Wisconsin sales tax and must be reported on Company A’s sales and use tax return.

E. Gift Shop Sales

- Sales of souvenirs, clothing, postcards, candy, magazines, and other tangible personal property are subject to Wisconsin sales tax.
- Sales of newspapers are not subject to Wisconsin sales tax.

F. Rentals of Tangible Personal Property

- **Furniture and Equipment** — Rentals of furniture and equipment, such as tables, audio-visual equipment, video tapes, microphones, microwave ovens, refrigerators, etc., are subject to Wisconsin sales tax.

Example — Renting Equipment: Customer A rents a meeting room from Hotel B for \$300. Customer A is also charged \$100 for the use of audio-visual equipment. The equipment rental charge of \$100 is subject to Wisconsin sales tax. The \$300 for the rental of the meeting room is not subject to Wisconsin sales tax.

Example — Renting Meeting Room With Equipment: Customer C rents a meeting room from Hotel D for \$500. The \$500 entitles Customer C to use of the room and various audio-visual equipment, tables, and chairs, regardless of whether Customer C actually uses the items. The \$500 is not subject to Wisconsin sales tax.

- **Recreational Equipment** — Rentals of recreational equipment, such as bicycles, canoes, boats, rafts, water skis, fishing poles, and motor bikes are subject to Wisconsin sales tax.

G. Parking

Charges for providing parking space for motor vehicles are subject to Wisconsin sales tax.

Example — Separate Charge for Room and Parking: Customer A stays in Hotel B for one night. Hotel B has a parking ramp. Hotel B charges Customer A \$80 for the room. If Customer A chooses to park in the parking ramp, Hotel B adds a separate charge of \$10 for parking. Both the \$80 for the room and the \$10 for the parking are subject to Wisconsin sales tax.

Example — Parking Only: Hotel C offers parking for \$20 per day to persons not staying at their hotel. The \$20 is subject to Wisconsin sales tax.

Example — Parking Charge to Eat at Restaurant: Hotel D charges \$3 to park in the hotel's parking lot while eating at a restaurant. The \$3 is subject to Wisconsin sales tax.

H. Laundry and Dry Cleaning Services and Machines

- Laundry and dry cleaning services provided by hotels are subject to Wisconsin sales tax.
- Receipts from self-service laundry machines activated by tokens or magnetic cards are subject to Wisconsin sales tax.
- Receipts from coin-operated, self-service laundry machines are not subject to Wisconsin sales tax.

I. Photocopying Services and Machines

- Charges for photocopies made by hotels for customers are subject to Wisconsin sales tax.
- If the hotel “controls” or is the “operator” of self-service photocopy machines, its receipts from such machines are subject to Wisconsin sales tax. It does not matter whether the machines are coin-operated or activated by tokens or magnetic cards. See Part II.D. on page 5 titled *Vending Machines, Video Games, and Amusement Devices* for additional information.

J. Admissions to Amusement, Athletic, Entertainment, and Recreational Facilities

Charges for providing access to amusement, athletic, entertainment, and recreational facilities, places or events, (for example, bars, night clubs, swimming pools, golf courses, driving ranges, and horseback riding) are subject to Wisconsin sales tax. A tax release published in *Wisconsin Tax Bulletin* #78 (July 1992), titled “Admissions to Athletic or Recreational Events or Places,” provides additional information on what charges relating to the use of athletic and health club facilities are subject to Wisconsin sales tax. Contact the department for a copy (see page 12) or view it online at www.dor.state.wi.us/ise/wtb/078tr.pdf.

K. Used Equipment and Furnishings

Sales of used furniture, televisions, computers, and other tangible personal property are subject to Wisconsin sales tax. These sales are subject to Wisconsin sales tax, even though the hotel paid Wisconsin sales or use tax at the time the items were originally purchased.

Example — Sale of Used Televisions: Hotel B sells used television sets for \$50 each. Hotel B had paid sales tax on the television sets when they were originally purchased five years ago. The \$50 charge is subject to Wisconsin sales tax, even though the hotel paid Wisconsin sales tax on the television sets when they were originally purchased.

Exception: An exemption may apply if the sale of the equipment is made after the hotel has ceased business. For additional information about this exemption, see Publication 201, *Wisconsin Sales and Use Tax Information*, Part XV., which is available from any Department of Revenue office.

L. Tanning Beds and Spas

Charges for the use of tanning beds and spas are not subject to Wisconsin sales tax.

III. HOTEL'S PURCHASES**A. Taxable Purchases**

Hotels are the consumers of the items they use to provide lodging services to their customers. Therefore, hotels must pay Wisconsin sales or use tax on their purchases of such items.

Note: If Wisconsin sales or use tax is not charged by the supplier of these items, Wisconsin use tax must be reported and paid by the hotel to the Wisconsin Department of Revenue on its Wisconsin Sales and Use Tax Return (Form ST-12).

1. Tangible Personal Property

The following are examples of tangible personal property purchased by hotels which are subject to Wisconsin sales or use tax:

a. Furniture, Appliances, etc.:

artwork
beds
bellman carts
blinds
carpeting
chairs and couches
desks and dressers
drapes
freezers
ice machines
intercoms
lamps
microwave ovens
mirrors
night stands
radios
recreational equipment
refrigerators
satellite dishes (does not include concrete foundation)
signs (does not include concrete foundation)
tables
telephones
televisions
vending machines
video cassette players/recorders (VCRs)
video games, pool tables, dart boards, jukeboxes

b. Office Equipment and Supplies:

advertising brochures and literature used in Wisconsin
check machines
computer equipment
computer supplies
copy machines and supplies
desks
envelopes
FAX machines and supplies
file folders
guest receipts
name badges
paper
pens and pencils
reservation slips
stationery
time clock and time cards

c. Room Supplies:

bath mats
Bibles
candy
champagne
clothing hangers
coffee makers
cups
door tags
flowers
garbage cans
glasses
ice buckets
keys
matchbooks
paper and plastic bags
shampoo
soap
tissues
toiletries

cooking utensils
counters
cloth napkins
dishwashers
food and drinks given away to customers and employees (see note in Part B.3. on page 11)
garbage disposal units
glassware
refrigerators
serving carts
serving utensils (see note in Part B.2. on page 10)
stools
storage containers
stoves and ovens
tables
tablecloths
tableware (see note in Part B.2. on page 10)

d. Linen Supplies:

bath mats
bedding
laundry bags
towels
uniforms
washcloths

e. Cleaning and Maintenance Equipment and Supplies:

carpet sweepers
cleaning supplies
laundry machines and dryers
lawn equipment and supplies
maid carts
pool chemicals and supplies
repair parts for any taxable tangible personal property
snow removal equipment (for example, snow blowers, plows, shovels)
storage racks
portable vacuum cleaners

f. Restaurant and Bar Equipment and Supplies:

bar stools
chairs
cookware

Caution: If any of the tangible personal property listed in Part III.A.1. on pages 8 and 9 of this publication is also installed by the supplier of the item and the installation results in a real property improvement (rather than a sale and installation of tangible personal property), the hotel is not liable for Wisconsin sales or use tax on the hotel's purchase and installation of the item. The supplier who installs these items is required to pay Wisconsin sales or use tax on its purchase price of the tangible personal property used in making the real property improvement.

Example 1: Hotel X purchases carpeting from Carpet Supplier Y. Carpet Supplier Y also installs the carpet for Hotel X. Hotel X's purchase of the carpeting and installation from Carpet Supplier Y is not subject to Wisconsin sales or use tax since this is a real property improvement. Carpet Supplier Y is required to pay Wisconsin sales or use tax on its cost of the materials used in making the real property improvement.

Example 2: Hotel L purchases a mirror to be installed (that is, affixed to the wall) in one of its sleeping rooms from Mirror Installer M. Mirror Installer M also installs the mirror in the sleeping room. Hotel L's purchase of the mirror and installation is subject to Wisconsin sales or use tax since the mirror, when installed in a sleeping

room, represents a purchase of tangible personal property used to carry on a trade or business. Mirror Installer M may purchase the mirror from its supplier without paying Wisconsin sales or use tax.

If you have questions as to whether a particular item, when installed, constitutes a taxable or nontaxable purchase, call or visit any Department of Revenue office (see page 12).

2. Services

The following are examples of services purchased by hotels which are subject to Wisconsin sales or use tax:

- cable and satellite TV
- cleaning and maintaining pools
- cleaning carpeting and rugs
- cleaning tangible personal property (for example, drapes, couches, chairs)
- inspecting, repairing, and maintaining tangible personal property (for example, televisions, refrigerators, boilers, furnaces, water softeners, water heaters)
- landscaping and gardening
- telephone and FAX transmissions

B. Nontaxable Purchases

The following purchases of tangible personal property or services by hotels are **not** subject to Wisconsin sales or use tax:

1. Tangible Personal Property to Be Resold

Purchases of tangible personal property (for example, books, magazines, candy, postcards, clothing, toiletries, and souvenirs), which will be resold to customers, are **not** subject to Wisconsin sales or use tax. **Note:** If the tangible personal property is transferred incidentally as part of the sale of the lodging service (for example, shampoo provided in each room), the hotel may not purchase those items without tax.

2. Certain Restaurant and Bar Disposable Items

Purchases of paper and plastic **disposable** items which are transferred to customers when **selling**

(rather than giving away at no charge) meals, food, food products, and beverages are **not** subject to Wisconsin sales or use tax. Examples of such items include paper napkins, paper and plastic cups, straws, disposable placemats, plastic utensils, and styrofoam or paper take-home containers. (See Part III.B.4. on page 11 for taxability of food, food products, beverages, and disposable items purchased by hotels and given to employees.)

Note: Purchases of paper and plastic disposable items which are transferred to customers when **giving away** (rather than selling) meals, food, food products, and beverages, are subject to Wisconsin sales or use tax.

Example — Disposable Items Given Away With Complimentary Breakfast: Hotel A provides a free breakfast with the purchase of lodging. In addition to the food items, Hotel A also purchases napkins, plastic utensils, and paper and plastic cups which will be used by the persons who receive the free breakfast. Hotel A's purchases of the napkins, plastic utensils, and paper and plastic cups are subject to Wisconsin sales or use tax because no exemption applies.

Since Hotel A is giving away the breakfasts at no charge (rather than selling them), Hotel A is the consumer of the food, beverages, napkins, plastic utensils, and paper and plastic cups. Therefore, Hotel A is required to pay Wisconsin sales or use tax on the purchase of these items, unless an exemption applies, such as for purchases of food or food products for human consumption, as discussed below.

3. Food, Food Products, and Beverages Given Away

Purchases of food, food products, and beverages, which qualify for the exemption for food, food products, and beverages for human consumption, are not subject to Wisconsin sales or use tax. (See Part III.B.4. on page 11 for taxability of food, food products, beverages, and disposable items purchased by hotels and given to employees.)

Example — Complimentary Breakfast:

Hotel A offers a complimentary breakfast to its customers. Hotel A purchases the bakery items, fruit, coffee (5 lb. can), and juice from Supplier B. Supplier B does not charge Wisconsin sales or use tax on the items. The purchases of the bakery items, fruit, coffee, and juice by Hotel A are not subject to Wisconsin sales or use tax because the items qualify for the exemption for purchases of food, food products, and beverages for human consumption.

Note: If the item being given to customers at no charge is not an exempt food, food product, or beverage (for example, candy, mints, soda), the hotel should pay Wisconsin sales tax on the item when it is purchased. If the hotel did not pay the proper amount of Wisconsin sales tax when the item was purchased, the hotel is responsible for the Wisconsin use tax due on the purchase price of the item being given away.

4. Food, Food Products, and Beverages Given Away to Employees

The taxability of food, food products, beverages, and disposable items purchased by hotels and given to employees for free is the same as discussed in Parts III.B.2. and 3. on page 10, with the following exception.

Exception: If a hotel operates a restaurant in the hotel and the restaurant gives the following items to its employees (i.e., provides free of charge) during the employees' work hours, the hotel may purchase such items without tax (effective December 1, 1999):

- Soda water beverages, bases, concentrates, and powders intended to be reconstituted by consumers to produce soft drinks, and fruit drinks, ades, cocktails, punches, and nectars, which have additives known as extenders.
- Meals and sandwiches, whether heated or not.
- Heated food and heated beverages.
- Soda fountain items such as sundaes, milk shakes, malts, ice cream cones, and sodas.

- Candy, chewing gum, lozenges, popcorn, and confections.
- Disposable products that are transferred with the above items, such as paper cups, napkins, straws, etc.

Example: Hotel Restaurant A purchases soda water beverages without sales tax to sell to customers. A portion of the soda water beverages are not sold. Instead, they are consumed by its employees during the employees' work hours. Effective December 1, 1999, Hotel Restaurant A is exempt from Wisconsin sales or use tax on the portion of soda water beverages consumed by its employees during the employees' work hours.

Note: Purchases of the items listed above are taxable if the items are not given to the employees during the employees' work hours.

5. Tangible Personal Property Which Will Be Rented to Others

Purchases of tangible personal property which will be used **only** for rental to others are **not** subject to Wisconsin sales and use tax because they are for resale. Examples of such items include audio-visual equipment, bicycles, canoes, rafts, skis, fishing poles, recorders, and tapes.

Note: If an item is not used **only** for rental to others (for example, the hotel provides the item at no additional charge or uses the item itself), the purchase of the item is subject to Wisconsin sales or use tax. In addition, the rental receipts from this item are also subject to Wisconsin sales tax.

Example — Item Being Rented and Also

Used By Hotel: Hotel D purchases a video cassette recorder (VCR) which will be used by its employees for training purposes and also for rental to others. Since the VCR is not being used only for rental to others, Hotel D's purchase of the VCR is subject to Wisconsin sales or use tax. In addition, Hotel D's receipts from renting the VCR to others are also subject to Wisconsin sales tax.

IV. ANY QUESTIONS?

If you have questions about sales and use taxes, call or visit any Department of Revenue office or contact the department by any of the following:

Write . . . Wisconsin Department of Revenue
 P.O. Box 8902
 Madison, WI 53708-8902

Telephone . . . (608) 266-2776

TTY . . . (608) 267-1049

Fax . . . (608) 267-1030

E-Mail . . . sales10@dor.state.wi.us

Visit our web site . . . www.dor.state.wi.us

Department of Revenue offices are located in:
Appleton, Baraboo, Beaver Dam, Eau Claire, Elkhorn,
Fond du Lac, Grafton, Green Bay, Hayward, Hudson,
Janesville, Kenosha, La Crosse, Lancaster, Madison,
Marinette, Milwaukee, Oshkosh, Racine, Rhinelander,
Rice Lake, Sheboygan, Superior, Tomah, Waukesha,
Wausau, and Wisconsin Rapids.

V. ANY SUGGESTIONS?

The Department of Revenue wants this publication to be as complete and informative as possible. If you have any suggestions to improve this publication, please either call or write to:

Attn: Administration Technical Services
Wisconsin Department of Revenue
P.O. Box 8933
Madison, WI 53708-8933
(608) 264-7779
janet.abrams@dor.state.wi.us